



Capital
Markets

RBC Community Investments
6805 Carnegie Blvd. Suite 100
Charlotte, NC 28211
Telephone: (980) 233-6500

May 21, 2025

DreamKey Partners
4601 Charlotte Park Drive, Suite 350
Charlotte, North Carolina 28217
Attn: Fred Dodson

Re: Eureka Mills
Chester, SC

Dear Fred:

Thank you for providing us the opportunity to submit an application letter on Eureka Mills (the "Project"). This letter serves as our mutual understanding of the business terms regarding the acquisition of an ownership interest in Eureka Mill Apartments, LLC, a South Carolina limited liability company (the "Company"). RBC Community Investments, LLC, its successors and assigns ("RBC") will acquire a 98.99% interest, RBC ("State Investor Member") will acquire 1.00%, and RBC Community Investments Manager II, Inc. ("RBC Manager") will acquire a 0.001% interest (collectively, the "Interest") in the Company.

1. **Project and Parties Involved.**

- (a) The Project, located in Chester, South Carolina will consist of 60 apartment units.
- (b) The parties involved with the Project are as follows:
 - (i) **Managing Member.** The Managing Member is a to-be-formed, single-purpose entity owned by DreamKey Partners.
 - (ii) **Developer.** The Developer is DreamKey Partners.
 - (iii) **Guarantors.** Subject to RBC's review and approval of financial statements, the Guarantor is the Developer.

2. **Purchase Price.** RBC will use best efforts to purchase the Interest in the Company for a total capital contribution of \$20,936,486. This capital contribution is based on the Project receiving a LIHTC award of tax credits described in Paragraph 3 and represents a price per tax credit dollar of \$0.80 for the Federal LIHTC, \$0.45 for the State LIHTC and \$0.70 for the SC Textile Mill Communities Credit. This pricing assumes both the Developer and the Managing Member use cash basis accounting for tax purposes. Further, the pricing assumes depreciable basis consisting of 100% of residential depreciation taken over 30 years, 100% of depreciation on site improvements taken over 15 years, and 100% of depreciation on personal property taken over 5 years.

3. **Federal and State LIHTC.** The Project is applying for a 2025 reservation of Federal LIHTC and State LIHTC, each in the amount of \$1,453,800 annually.

SC Textile Mill Communities Credit. The Project is anticipated to receive \$3,948,551 in SC Textile Mill Communities Credit ("SCMC").

4. **Funding Sources.** As a condition to Company closing, the Managing Member will deliver loan commitments acceptable to RBC.

5. **Adjustments.**

- (a) **Downward Capital Adjustments.** The amount of Federal and State LIHTC to be allocated to RBC during the credit period ("Certified Federal LIHTC" and "Certified State LIHTC") will be determined promptly following receipt of cost certification from the accountant and Form 8609. If the Certified Federal LIHTC or Certified State LIHTC are less than the Projected Federal and State LIHTC, RBC's capital contributions will be reduced by an amount (the "Downward Capital Adjustment") equal to the sum of (A) the product of (i) \$0.80 multiplied by (ii) the difference between Projected Federal LIHTC and Certified Federal LIHTC, (B) the product of (i) \$0.45 multiplied by (ii) the difference between Projected State LIHTC and Certified State LIHTC, and (C) the product of (i) \$0.70 multiplied by (ii) the difference between Projected SCMC and Certified SCMC.
- (b) **Late Delivery Adjustments.** The amount of Federal and State LIHTC allocated to RBC will be determined at the time the Project is fully leased and SCMC when the project is complete. If the amount of the actual Federal and State LIHTC and SCMC allocated to RBC is less than projected, RBC's capital contribution shall be reduced by an amount (the "Late Delivery Adjustment") equal to the difference between the projected amount (adjusted for any Downward Capital Adjustment) and the amount of the Federal and State LIHTC allocated to RBC less the present value (using a 10% discount rate for the Federal LIHTC and 15% discount rate for the State LIHTC and SCMC) of the additional Federal, State LIHTC and SCMC projected to be received in future years.
- (c) **Payment by Managing Member.** If the Downward Capital Adjustments and the Late Delivery Adjustments exceed the total of all unfunded capital contributions, then the Managing Member will make a payment to the Company equal to the amount of such excess, and the Company will immediately distribute such amount to RBC as a return of its capital contribution. Except to the extent otherwise stated herein, this payment will not give rise to any right as a loan or capital contribution or result in any increase in the Managing Member's capital account.

6. **Managing Member and Guarantor Obligations.** In addition to Paragraph 5(c) above, the Managing Member is responsible for items 6(a) through 6(f) below. Any amounts advanced by the Managing Member will not be considered as loans or capital contributions reimbursable or repayable by the Company unless otherwise stated herein.

- (a) **Construction Completion.** The Managing Member will guarantee construction completion in accordance with approved plans and specifications and will pay for any construction costs, costs to achieve permanent loan closing, repayment of all construction financing and costs necessary to fund reserves required to be funded at or before permanent loan closing.
- (b) **Operating Deficits.**
 - (i) **Pre-Stabilization.** The Managing Member will guarantee funding of operating deficits until the date (the "Stabilization Date") which is the first day of the month following a 3-month period (such 3-month period to commence after the permanent loan closing/conversion and full repayment of the construction loan) in which the Project has maintained an average 1.15 debt service coverage; and

- (ii) Post-Stabilization. Commencing with the Stabilization Date and continuing until the Release Date (defined below), the Managing Member will guarantee funding of operating deficits of up to the equivalent of 6 months of operating expenses, replacement reserves, and must-pay hard debt service. Any funds paid by the Managing Member under this Paragraph 6(b)(ii) shall be treated as an unsecured loan to the Company with interest at the rate of 0% per annum, to be repaid out of cash flow, refinancing, sale and liquidation proceeds as provided in Paragraph 9 hereof.

The "Release Date" is the later of:

- (A) the fifth anniversary of the Stabilization Date,
- (B) the date the Project has achieved an average debt service coverage of 1.15 for the 12-month period immediately prior to the Release Date, and
- (C) the date the Project has achieved a 1.15 debt service coverage for each of the 5 months immediately prior to the Release Date.

Notwithstanding the foregoing, if, as of the Release Date, the balance of the Operating Reserve described in Section 7(a) is less than the amount contemplated in 7(a), this guaranty shall continue until the balance in the Operating Reserve is equal to the amount contemplated in 7(a).

- (c) LIHTC Shortfalls or Recapture Event. To the extent not already addressed by the Downward Capital Adjustment or the Late Delivery Adjustment, if the actual amount of Federal LIHTC and State LIHTC for any year is less than Projected Federal and Projected State LIHTC, the Managing Member will guarantee payment to RBC of an amount equal to the shortfall or recapture amount, plus related costs and expenses incurred by RBC. This guaranty does not cover any loss of credits due to changes in the IRS code or tax credit rules and regulations after the date the Project Entity Agreement is executed.
- (d) Repurchase. The Managing Member will repurchase RBC's interest upon the occurrence of certain events described in the Project Entity Agreement.
- (e) Environmental Indemnity. The Managing Member will indemnify RBC against any losses due to environmental condition at the Project.
- (f) Developer Fee. The Managing Member will guarantee payment of any developer fee remaining unpaid at the end of the LIHTC compliance period.
- (g) Guarantors. The Guarantors will guarantee all of the Managing Member's obligations.

7. **Reserves**.

- (a) Operating Reserves. An operating reserve equivalent to 6 months of operating expenses and must-pay hard debt service will be established and maintained by the Managing Member concurrent with RBC's final capital contribution. Withdrawals from the operating reserve will be subject to RBC's consent. Expenditures from operating reserves will be replenished from available cash flow as described in Paragraph 9(b) below.
- (b) Replacement Reserves. The Company will maintain a replacement reserve and make contributions on an annual basis equal to the greater of (i) \$300 per unit and (ii) the amount required by the permanent lender, or allocating agency. The amount of the contribution will increase annually by 3%. Annual contributions will commence at final C/O.

8. **Fees and Compensation.** The following fees will be paid by the Company for services rendered in organizing, developing and managing the Company and the Project.

- (a) **Developer Fee.** The Developer will earn a developer fee up to the maximum allowed by the allocating agency.

The deferred portion of the developer fee, if any, shall accrue interest up to 8% per annum commencing as of the date of RBC's final capital contribution. Payment of the deferred fee will be subordinate to all other Company debt as well as operating expense and reserve requirements

- (b) **Incentive Management Fee.** An incentive management fee will be payable to the Managing Member on an annual basis in an amount equal to 90% of net cash flow as set forth on Paragraph 9(b) below.
- (c) **Property Management Fee.** The management agent and the terms of the property management agreement are subject to the prior approval of RBC.
- (d) **Asset Management Fee.** The Company will pay RBC Manager an annual asset management fee of \$10,000 which will increase by 3% annually. The asset management fee will be paid annually from available cash flow commencing with Final C/O.

9. **Tax Benefits and Distributions.**

- (a) **Tax Benefits.** Tax profits, tax losses, and tax credits will be allocated 99.98% to RBC, 0.001% to RBC Manager, 0.009% to the Managing Member and 0.01% to the State Investor Member. In the event that any unanticipated gross income arises from a subsequent re-characterization of a tax reporting position of the Company, including without limitation any income arising from the admission of a State Investor Member or the making of any Capital Contribution with respect to STC, all such gross income shall be allocated to the Managing Member. The Managing Member shall indemnify RBC for any tax liability arising from such special allocation of gain being rejected by a taxing authority.

- (b) **Net Cash Flow Distributions.** Distributions of net cash flow (cash receipts less cash expenditures, payment of debt service, property management fee and RBC's asset management fee), will be made as follows:

- (i) to RBC in satisfaction of any unpaid amounts due under Paragraphs 5 and 6 above and for any other amounts due and owing to RBC;
- (ii) to RBC Manager for any unpaid asset management fees;
- (iii) to the operating reserve to maintain the balance required in Paragraph 7(a);
- (iv) to the Managing Member for any unpaid asset management fees;
- (v) to the payment of any unpaid developer fee;
- (vi) to the payment of any debts owed to the Managing Member or its affiliates;
- (vii) 90% of the remaining cash flow to the Managing Member as an incentive management fee; and
- (viii) the balance to the Managing Member, RBC and RBC Manager in accordance with their percentage interests described in Paragraph 9(a).

- (c) Distributions upon Sale, Liquidation or Refinance. Net proceeds resulting from any sale, liquidation or refinance will be distributed as follows:
- (i) to payment in full of any Company debts except those due to RBC, RBC Manager or the Managing Member and/or their affiliates;
 - (ii) to the setting up of any required reserves for contingent liabilities or obligations of the Company;
 - (iii) to RBC, in satisfaction of any unpaid amounts due under Paragraphs 5 and 6 above and for any other amounts due and owing to RBC;
 - (iv) to RBC Manager for any unpaid asset management fees;
 - (v) to RBC for any excess or additional capital contributions made by it;
 - (vi) to the payment of any debts owed to the Managing Member or its affiliates including any unpaid developer fee and any unpaid Managing Member Asset Management Fees;
 - (vii) to RBC in an amount equal to any projected federal income tax incurred as a result of the transaction giving rise to such proceeds; and
 - (viii) the balance, 90% to the Managing Member, 9.999% to RBC, and 0.001% to RBC Manager.

10. **Construction.** The Managing Member will arrange for a fixed or guaranteed maximum price construction contract. The Contractor's obligations will be secured by a letter of credit in an amount not less than 15% of the amount of the construction contract or a payment and performance bonds in an amount not less than the amount of the construction contract. The Project will establish a construction contingency in an amount not less than 10% of the construction costs, or such greater amount as RBC may reasonably require following its review of construction documents. RBC, may, in its sole discretion, engage a construction consultant and use best efforts to share with construction lender, to: (i) to review plans and specifications and (ii) evaluate the construction progress by providing monthly reports to the Company.

11. **Due Diligence, Opinions and Projections.**

- (a) Due Diligence: The Managing Member will provide RBC with all due diligence items set forth on its due diligence checklist, including but not limited to, financial statements for the Guarantors, schedule of real estate owned and contingent liabilities, plans and specifications, a current appraisal, a current (less than 6 months old) market study, a current (less than 6 months old) Phase I environmental report, rent and expense data from comparable properties, site/market visit and title and survey. The Managing Member agrees to reasonably cooperate with RBC (including signing such consents as may be necessary) in obtaining background reports on the Developer, Guarantors and other Project entities as determined by RBC. RBC does not require terrorism insurance.
- (b) Legal Opinions. The Managing Member's counsel will deliver to RBC a local law opinion satisfactory to RBC. RBC's counsel will prepare a tax opinion, and the Managing Member agrees to cooperate to provide all necessary documentation requested by RBC's counsel.
- (c) Projections. The projections to be attached to the Project Entity Agreement and that support the Tax Opinion will be prepared by RBC based on projections provided by the Managing Member. RBC's projections will include development sources and uses, calculation of eligible basis, operating and construction period cash flow analysis, 15-year operating projection, 30-year debt analysis and 15-year capital account analysis.

12. **Closing Contingencies.** RBC's obligation to close on the purchase of the Interest will be contingent upon RBC's receipt, review and approval of all due diligence including the items set forth on its due diligence checklist as well as the following:


- (a) **Project Entity Documents.** Preparation and execution of RBC's standard Project Entity Agreement and other fee agreements containing representations and warranties, covenants, consent rights, and indemnities, each on terms and conditions satisfactory to RBC.
- (b) **Information and Laws.** No adverse change in the information you have provided to us and no adverse change in existing law.
- (c) **Third Party Investor.** RBC's receipt of a firm commitment from a third-party investor to purchase from RBC the Investor Member Interest on terms and conditions satisfactory to RBC in its sole discretion.

13. **Termination and Confidentiality.**

- (a) **Termination Date.** Once executed by both the Managing Member and the Guarantors, this letter shall be a binding agreement and will remain in effect until 9 months following receipt of a tax credit award letter (the "Termination Date"). In recognition of the time which will be expended and the expenses which will be incurred by RBC in connection with the transaction contemplated hereby, the Managing Member agrees that, until the Termination Date, neither it nor any of its officers, employees, agents, or affiliates will solicit, entertain or negotiate with respect to any inquiries or proposals relating to the acquisition of an interest in the Company or the equity syndication of the Company or the Project without the prior written approval of RBC. In the event the Managing Member enters into an arrangement with a party other than RBC prior to the Termination Date, RBC will be entitled to pursue all remedies available to it. If RBC elects not to acquire the Interest based on the failure of any of the closing contingencies, the Managing Member and RBC will be mutually released from the terms and conditions contained in this letter.
- (b) **Confidentiality.** The Managing Member agrees to keep the terms and conditions contained in this letter confidential and not to disclose the terms to any third party (other than attorneys and accountants of the Company) without the express prior written approval of RBC.

If the foregoing is in accordance with your understanding of the terms and conditions, please indicate your acceptance on the enclosed copy and return it to the undersigned.

Very truly yours,

By: 
Brian Flanagan
Managing Director

The undersigned approves and accepts the terms of this Letter of Intent.

MANAGING MEMBER:

By: 

Its: 

Date: 5-21-2025

EXHIBIT A CAPITAL CONTRIBUTIONS

<u>Conditions</u>	<u>Amount</u>
i) 20.00% upon the later of: (a) the execution of the Project Entity Agreement, (b) closing of the financing sources described in Exhibit B, (c) receipt of NPS Part I and Part II, and (d) receipt and approval of all due diligence items on RBC's due diligence checklist.	\$4,187,297
ii) 40.00% upon the later of: (a) receipt of lien-free project completion and Certificates of Occupancy for all of the units, (b) receipt of an architect's certificate of substantial completion, and (c) receipt of a preliminary cost certification prepared and certified by the Managing Member.	\$8,374,594
iii) 30.00% upon the later of: (a) achievement of 100% qualified occupancy, (b) receipt of a final cost certification from an independent certified public accountant, (c) achievement of the Stabilization Date, (d) receipt of NPS Part III, and (e) Permanent Loan Closing/Conversion and full repayment of construction financing.	\$6,280,946
iv) 10.00% upon: (a) receipt of 8609(s).	\$2,093,649
Total:	\$20,936,486